

## Message Text

CONFIDENTIAL

PAGE 01      BRASIL 10288 161757Z  
ACTION ARA-10

INFO OCT-01 AF-08 EUR-12 NEA-10 IO-13 ISO-00 ARAE-00  
ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00  
EB-07 FEAE-00 FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00  
NSC-05 OMB-01 PM-04 USIA-06 OES-06 SP-02 SS-15 STR-04  
TRSE-00 ACDA-07 PA-01 PRS-01 XMB-02 /144 W  
----- 031364 /42

P R 161655Z DEC 76  
FM AMEMBASSY BRASILIA  
TO SECSTATE WASHDC PRIORITY 9160  
INFO AMEMBASSY JIDDA  
AMEMBASSY TEHRAN  
AMEMBASSY LAGOS  
AMCONSUL RIO DE JANEIRO  
AMCONSUL SAO PAULO  
AMEMBASSY CARACAS  
USMISSION OECD PARIS  
USMISSION EC BRUSSELS  
USMISSION GENEVA  
USMISSION USUN NEW YORK

C O N F I D E N T I A L BRASILIA 10288

E.O. 11652: GDS  
TAGS: ENG, OPEC, PFOR, BR  
SUBJECT: NEW BRAZILIAN STRATEGY TO ALLEVIATE OIL IMPORT  
PROBLEM

REF: (A) BRASILIA 10252; (B) BRASILIA 9935; (C) TEHRAN 11989  
(D) USOECD PARIS 34494

1. SUMMARY. PRESS REPORTS INDICATE GOB HAS ADOPTED NEW  
STRATEGY FOR DEALING WITH IMPACT OF PETROLEUM PRICES.  
STRATEGY IS: (-) SHIFT PURCHASES TO NON-ARAB COUNTRIES  
WHICH CAN INCREASE IMPORTS FROM BRAZIL; AND (2) SEEK A  
PRICE DIFFERENTIAL FOR DEVELOPING COUNTRIES. INCREASED  
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PAGE 02      BRASIL 10288 161757Z

ROLE IN PETROLEUM-RELATED DECISIONS HAS BEEN GIVEN  
MINISTER OF FINANCE, AS EVIDENCED IN HIS RECENT TRIP  
TO IRAN. END SUMMARY.

2. O ESTADO DE SAO PAULO OF DEC. 12 AND JORNAL DE  
BRASILIA OF DEC. 14 REPORTED THAT THE GOB NEXT YEAR

WILL SEEK TO DIVERSIFY ITS PETROLEUM SUPPLY, TO REDUCE DEPENDENCE ON ARAB SOURCES. ACCORDING TO O ESTADO, THE TWO KEY ASPECTS OF THE NEW POLICY WILL BE: GRADUAL TRANSFER OF OIL IMPORTS FROM SAUDI-ARABIA TOWARD OTHER COUNTRIES SUCH AS IRAN AND NIGERIA; AND A STRONG DEFENSE, WITHIN THE CONTEXT OF THE NORTH-SOUTH DIALOGUE, OF THE THESIS OF A DIFFERENTIAL OIL PRICE FOR DEVELOPING COUNTRIES. THE FIRST OF THESE MEASURES, THE PAPER SAYS, HAS ALREADY RESULTED IN THE SHIFT OF \$500 MILLION IN PETROLEUM IMPORTS TO NON-ARAB SOURCES, INCLUDING \$300 MILLION TO IRAN. UNDER THE NEW POLICY BRAZIL WILL TRY TO TAKE FULL ADVANTAGE OF THE BARGAINING POWER WHICH DERIVES FROM ITS LARGE IMPORT REQUIREMENTS TO INCREASE EXPORTS OF BRAZILIAN PRODUCTS, THUS TO COMPENSATE FOR ITS PETROLEUM DEFICIT.

3. ACCORDING TO ESTADO THIS NEW APPROACH SHOULD ALSO BE REFLECTED IN BRAZILIAN DIPLOMACY. "THUS, IN INTERNATIONAL FORA, IN PARTICULAR THE UN, BRAZIL MIGHT ADOPT LESS RADICAL ATTITUDES, WHEN THE CUSTOMARY VOTES ARE TAKEN CONDEMNING ISRAEL AND ZIONISM, WHICH WOULD CORRESPOND TO AN ADJUSTMENT IN THE SO-CALLED POLICY OF RESPONSIBLE PRAGMATISM." (COMMENT: ESTADO, OF COURSE, HAS BEEN A PRINCIPAL CRITIC OF THE FOREIGN MINISTRY'S ARAB TILT; NEVERTHELESS, RECENT BRAZILIAN ABSTENTIONS OR ABSENCES ON MULTILATERAL ISSUES OF PURE INTEREST TO THE ARABS (JERUSALEM EXCAVATIONS, ISRAELI CULTURAL POLICY

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CONFIDENTIAL

PAGE 03      BRASIL 10288 161757Z

IN OCCUPIED TERRITORIES, AND CREATION OF A PALESTINIAN STATE) SUGGEST ESTADO IS ACCURATE IN ITS ASSESSMENT. END COMMENT.)

4. MOST BRAZILIAN PAPERS GAVE PROMINENT COVERAGE TO FINANCE MINISTER SIMONSEN'S TRIP TO IRAN (REFTEL C). REPORTEDLY, A COMMERCIAL AGREEMENT BETWEEN BRAZIL AND IRAN IS EXPECTED TO BE SIGNED IN JUNE 1977. ESTADO SUGGESTS THAT IN 1978 BRAZIL MIGHT PURCHASE AS MUCH AS \$1 BILLION IN PETROLEUM FROM IRAN PROVIDED THE AGREEMENT INCLUDES A SIGNIFICANT INCREASE OF BRAZILIAN EXPORTS TO IRAN. ACCORDING TO PRESS REPORTS, SIMONSEN REFUSED TO ACCEPT SUCH A SPECIFIC COMMITMENT OF \$1 BILLION IN OIL IMPORTS FROM IRAN DURING HIS RECENT VISIT. (COMMENT: THE BILLION DOLLAR FIGURE HAS APPEARED IN SEVERAL CONTEXTS IN PRESS ACCOUNTS. AN EARLIER VERSION HAD

TOTAL TRADE BETWEEN IRAN AND BRAZIL REACHING \$1 BILLION IN 1977. THE FINANCE MINISTER, DURING A PRIVATE MEETING AT THE AMBASSADOR'S RESIDENCE WITH THE BOARD OF DIRECTORS OF US CHAMBERS OF COMMERCE IN BRAZIL, DISMISSED ANY \$1 BILLION FIGURE AS PRESS SPECULATION AND SAID THAT HE WOULD BE SATISFIED WITH \$400 MILLION IN EXPORTS TO IRAN IN 1977. ANY FIGURE FOR 1978 SEEMS TO US AS PREMATURE UNTIL AN AGREEMENT ACTUALLY COMES INTO BEING. END COMMENT.) ESTADO NOTES THE INCREASED ROLE WHICH FINANCE MINISTER SIMONSEN IS EXPECTED TO PLAY IN PETROLEUM PURCHASES, LINKING THESE PURCHASES TO BRAZILIAN EXPORTS.

5. THE ESTADO ARTICLE REFERS TO AN AGREEMENT AMONG OPEC COUNTRIES TO AVOID NEGOTIATIONS INVOLVING DIRECT EXCHANGE OF PETROLEUM FOR MERCHANDISE. ESTADO SUGGESTS THAT "SUCH OBSTACLE MIGHT CONFIDENTIAL

CONFIDENTIAL

PAGE 04      BRASIL 10288 161757Z

BE BY-PASSED, AVOIDING MENTION OF SIMPLE EXCHANGE OR INDEXATION, TREATING PETROLEUM AS ONE TYPE OF MERCHANDISE TO BE SOLD TO BRAZIL, IN THE SAME WAY AS SULFUR AND UREA."

6. COMMENT: PRESS REPORTS ON NEW BRAZILIAN POLICY ARE CONSISTENT WITH SECRETARY GENERAL GUERREIRO'S COMMENTS TO AMBASSADOR (REFTEL A), BRAZILIAN REPRESENTATIONS TO OPEC AMBASSADORS (REFTEL B), AND BRAZILIAN ACTION IN THE CIEC COMMISSION ON ENERGY (REFTEL D). THE NEW POLICY WHICH REQUIRES A MORE AGGRESSIVE BRAZILIAN STANCE REPRESENTS A SIGNIFICANT CHANGE FROM THE PREVIOUS POLICY, ADOPTED IN 1973, OF STUDIOUS CULTIVATION OF THE ARABS AND A MINIMAL PROFILE IN THE CIEC AND OTHER INTERNATIONAL FORA ON ISSUES OF INTEREST TO OPEC COUNTRIES. WHETHER THIS NEW BRAZILIAN STRATEGY WILL BE MORE SUCCESSFUL THAN THE OLD IS PERHAPS DEBATABLE. REPORTS INDICATE FIRM IRANIAN OPPOSITION TO SIMONSEN REPRESENTATIONS, DURING HIS RECENT VISIT, IN FAVOR OF A DIFFERENTIAL PRICE -- CONSISTENT WITH THE OPEC POSITION. POSSIBILITIES FOR THE EXPANSION OF BRAZILIAN EXPORTS TO SUCH COUNTRIES AS IRAN AND NIGERIA (BANCO DO BRASIL RECENTLY OPENED AN OFFICE IN EACH COUNTRY) UNDOUBTEDLY EXIST, BUT THESE INCREASES ARE LIKELY TO OCCUR CONSIDERABLY MORE SLOWLY THAN ENVISIONED IN THE PRESS REPORTS. CRIMMINS

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## Message Attributes

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